BANCA
SISTEMA
CONTEMPORARY BANK

Group Profile

November/December 2016



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Agenda

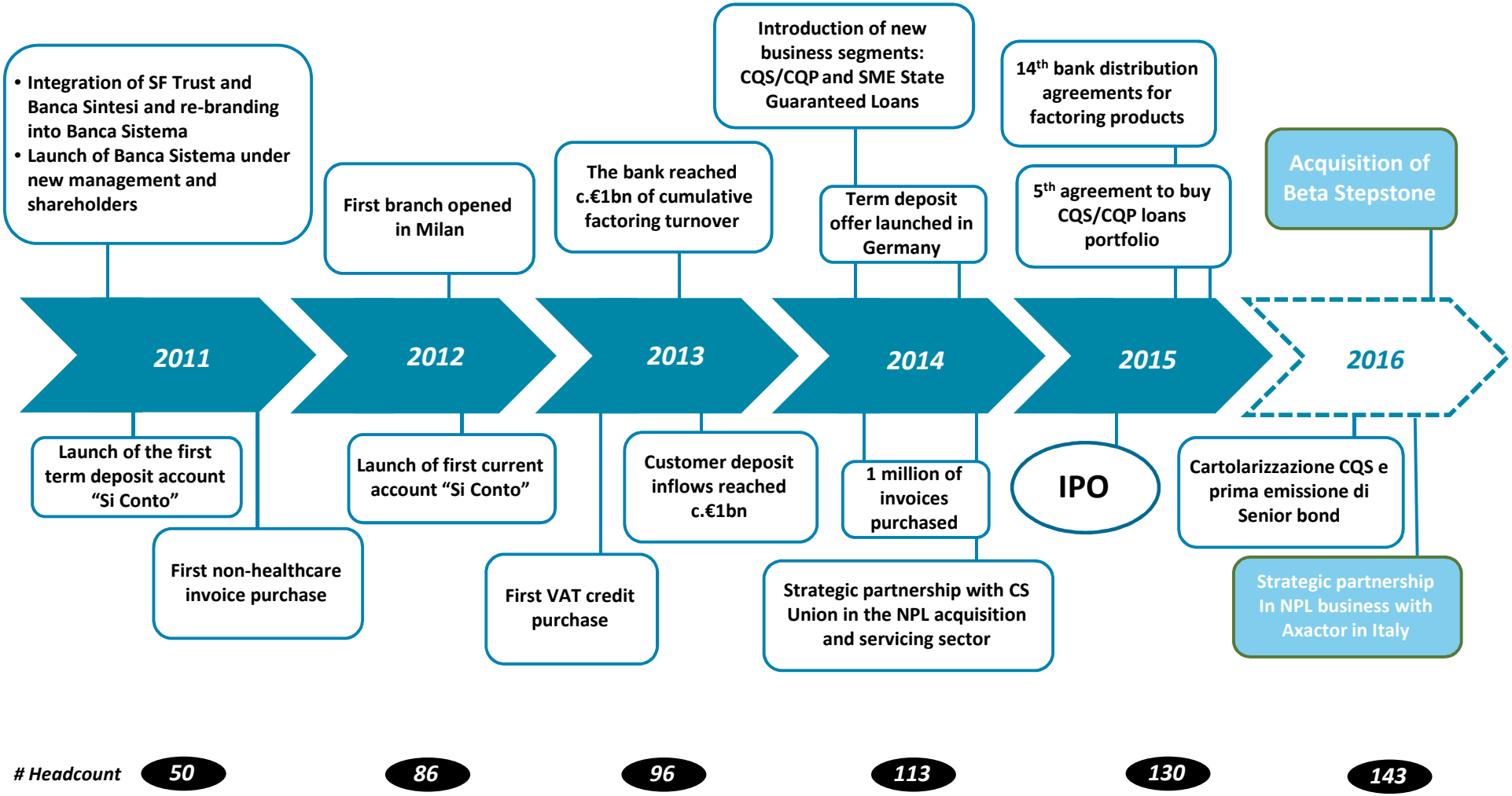
I. Overview of Banca Sistema

II. Focus on Factoring

III. 9M 2016 Results

I. Overview of Banca Sistema

Key Stages of Banca Sistema's Development



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Banca Sistema: A Successful Growth Story

Vision and Mission	• Vision to become the leading independent specialty finance player in Italy and the pre-eminent public sector factoring provider • Mission to support corporate entities in their business dealings with the Public Administration
A Large and Underpenetrated Market: ***A Sustainable Growth Opportunity***	• The Italian Factoring Market is the 3rd largest in Europe by Turnover and 2nd largest as a percentage of GDP(1) • As we operate with a focus on Public Administration ("PA") receivables, our reference market is the Italian Public Spending, a large and underpenetrated market with significant growth potential
What We Do: ***Key Core Expertise in Public Administration Receivables Factoring***	• We specialize in the purchase at a discount to face value of healthcare, commercial and VAT receivables owed by Italian Public Administration to our clients • Receivable payments from Public Administrations in Italy have consistently experienced long delays, despite the introduction of the EU directive on late payments • We deploy data and analytics as well as sophisticated collection services to create a valuable proposition for all parties: us, our customers and PA obligors
Our Strategy and Business Model: ***A Clearly Defined Strategy Relying n a Stable Business Model***	• We focus on building strong relationships with clients and PA obligors, adopting a non-confrontational and non-litigation focused approach to collections • We do not rely on active collection of late payment interest ("LPI") from Public Administrations

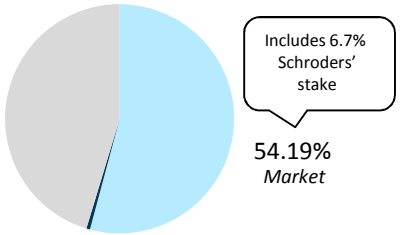
Note: (1) Source: Factors Chain International.

Snapshot of Banca Sistema Today

9M 2016 Results

Factoring Turnover	**€1bn (+19% y/y)**
Net Income	**€21.4m (+17% y/y)**
Cost Income	**45%**
Leverage Ratio	**6%**
Total Capital Ratio	**14.8%**
ROAE	**27%**

Shareholders Structure



- *Shareholder agreement between the three Banking Foundations and SGBS*
- *3 year lock up period for the remaining core shareholders post IPO*

Our Key Strengths

Strong analytical capabilities

- **Disciplined underwriting process supported by accelerated collections** without relying on active LPI collection
- **Proprietary database** of payment times of Public Administration obligors, supporting **our underwriting capabilities and pricing models for individual invoices**

Compelling collection strategy with excellence in collections

- **Non-litigation focused approach to collections,** building **strong relationships and partnerships** with both **Public Administration obligors** and our **clients**
- Strong performance due to **excellence in collection versus suppliers,** generating **high margins through accelerated recovery periods**

Low risk counterparty exposure

- **The majority of our credit exposure is towards the Italian Public Administration,** with **low risk underlying credit exposure** comparable to a **Government Bond**

A Winning Business Model

- *Providing **liquidity solutions** and **sophisticated collection services** to our clients **at an attractive cost** compared to the outsourcing of the collection or internal management of the receivables*
- ***Clients benefit** from an **improvement of their financial position** and from **cash flow optimization***
- ***Our extra margin from accelerated collections** is **not considered an additional cost by our clients***

Note: 1. Garbifin S.r.l. holding 0.51% stake (also subject to lock up).

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What We Do

Business Segments Overview

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Core business

Receivables Factoring

- Public Administration and private clients
- Healthcare, Commercial, VAT receivables and VAT from insolvency proceedings
- Total turnover of €1bn as of 9M 2016

Complementary businesses built on core expertise

Specialised Financing

CQS/CQP

- CQS / CQP (Salary and Pension Guaranteed Loans) through several agreements with third parties
- Total outstanding of €212m as at 30.09.2016

SMEs State Guaranteed Loans

- Loans to SMEs with State Guarantee (covering up to 80%)
- Total outstanding of €81m as at 30.09.2016

Debt Collection and Credit Management Services

- For third party Public Administration receivables

NPL Acquisitions and Servicing

- Strategic partnership with Axactor through a minority stake in CS Union

Funding

Segments providing funding for core activities

Retail Banking & Other Corporate / Institutional Clients

- Current accounts and term deposits with c.15k customers for a total of €754m stock as at 30.09.2016
- Providing a stable funding base for the Bank's core business activities

Treasury Activities

- ALM / Liquidity
- €0.4bn of the securities portfolio comprised entirely of Italian T-bills

Receivables Factoring

A Strong Network of Relationships with Clients and PA Obligors

Recurring business with a strong network of multinational and corporate clients, and established relationships with all types of Public Administration entities

PA Suppliers (Banca Sistema Clients)	PA Obligors
Leading multinationals and corporates Main Sectors: • Utilities • Telecom • Healthcare • Services • Transportation	**Local Entities (regions and municipalities)** **Local Healthcare Organizations ("ASLs")** **State Central Administrations**

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Bridge between private and public sector

- **Multinationals and corporate clients:**
  - ✓ Benefit from certainty of payment times
  - ✓ Benefit from collection specialism and expertise at an attractive effective rate
  - ✓ Outsource the collection service without jeopardizing relationships with PA clients
  - ✓ Optimize working capital and improve balance sheet positions
  - ✓ Access liquidity
  - ✓ Free up resources to be reallocated to the business

- **Public Administration:**
  - ✓ Benefit from dealing with a specialized player with PA knowledge "speaking the same language"
  - ✓ Single point of contact for multiple suppliers
  - ✓ Banca Sistema does not seek to proactively collect Late Payment Interest as opposed to other PA factoring players

Factoring Business

Overview of Key Dates for Pricing and Collection

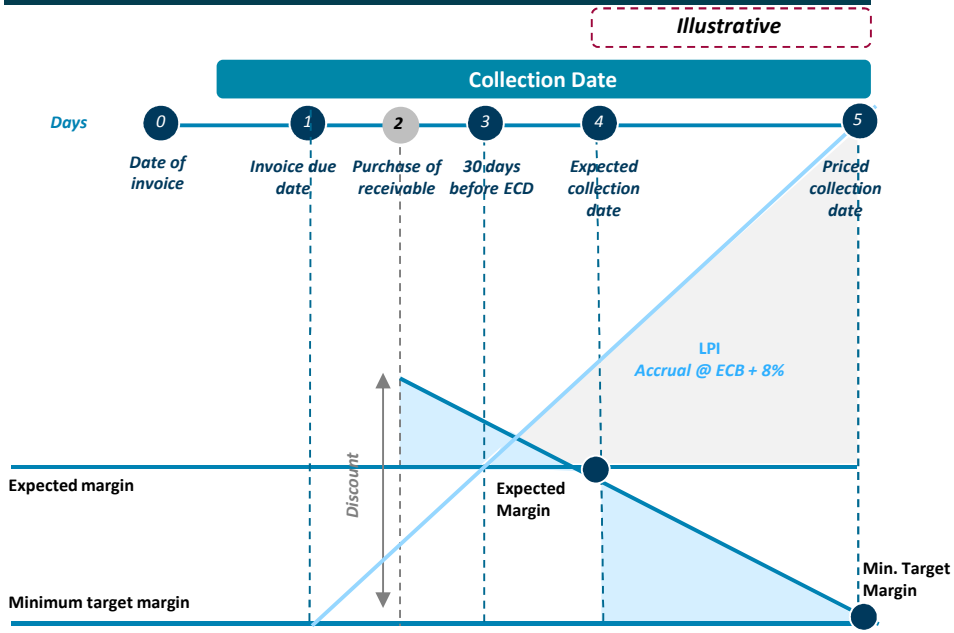
Banca Sistema's experience and capabilities allow to accurately forecast the expected collection date for each receivable, thus allowing for precise pricing decisions

Receivables Factoring - Key Dates

Days Sales Outstanding (DSO) of the receivable

0	Date of Invoice	• Date of original invoice
1	Invoice Due Date	• 30/60 days after invoice[1]
2	Purchase of receivable	• Start of ordinary collection activities
3	30 days before Expected Collection Date	• Start of accelerated collection activities
4	Expected Collection Date (ECD)	• Number of collection days estimated for each specific debtor based on company's proprietary tools, analysis and experience
5	Priced Collection Date (PCD)	• **Estimated conservative date of payment on which the pricing to the client and underwriting is based**; estimated for each debtor based on company proprietary tools and analysis

Collection Dates and Contribution Margin Overview



Interest Margin – Illustrative

	Priced collection date	Discount to face value	Min. target gross yield
Client effective cost	11 months	5%	5.8%
	Payment Date (ECD)	**Months of anticipated collection**	**Actual gross yield**
Banca Sistema gross interest yield	7 months	4 months	9.0%

- **High profitability resulting from (i) accelerated recovery period due to excellence in collection practice and (ii) disciplined underwriting process and pricing of receivables acquired**
- **Strong collection performance resulting from deep analytical capabilities and PA expertise**
- **Since 2011 the vast majority of the total collections occurred both before the expected collection date and before the priced collection date**
- The residual portion of receivables collected after the priced collection date, is collected using legal actions which include claim of LPI

Note: 1. 60 days for healthcare related receivables.

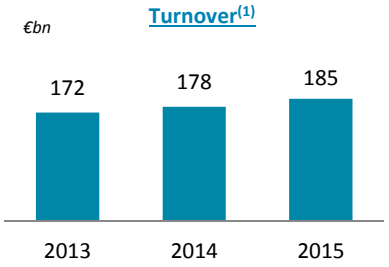
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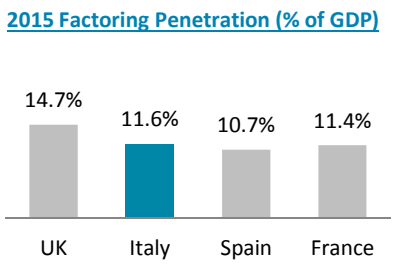
II. Focus on Factoring

An Attractive Market Opportunity

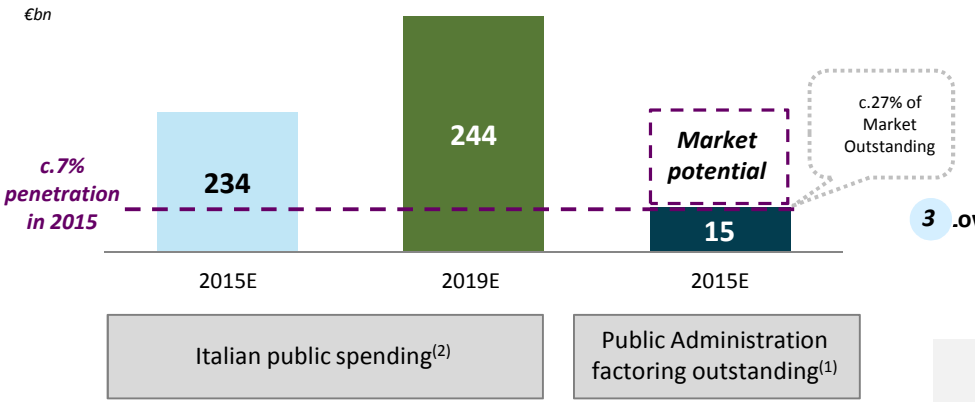
Large and still underpenetrated market with significant growth potential..

The Italian factoring market is the 3rd largest in Europe, (2nd largest compared to GDP) with a clear growth trajectory(1)



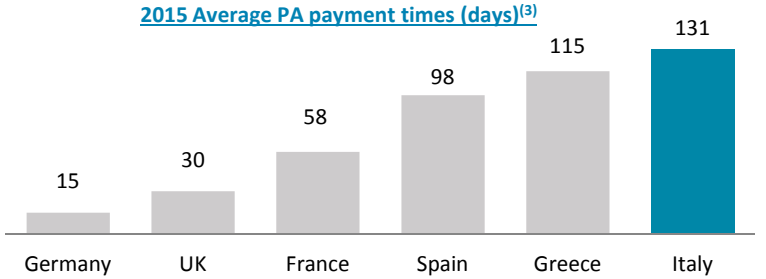


As of 2015, Italy's annual estimated public spending amounts to c.€234bn and is expected to grow to c.€244bn by 2019(2)

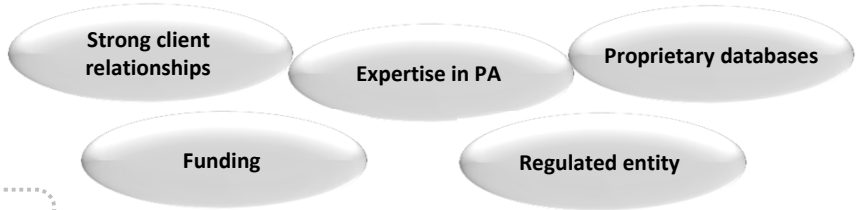


..With key market features highlighting a unique opportunity

1 **Italy is characterized by structurally high Public Administration payment times compared to other European countries**



2 **High barriers to entry and limited number of players able to compete in the market**



3 **Low risk business with credit exposure primarily towards public entities**

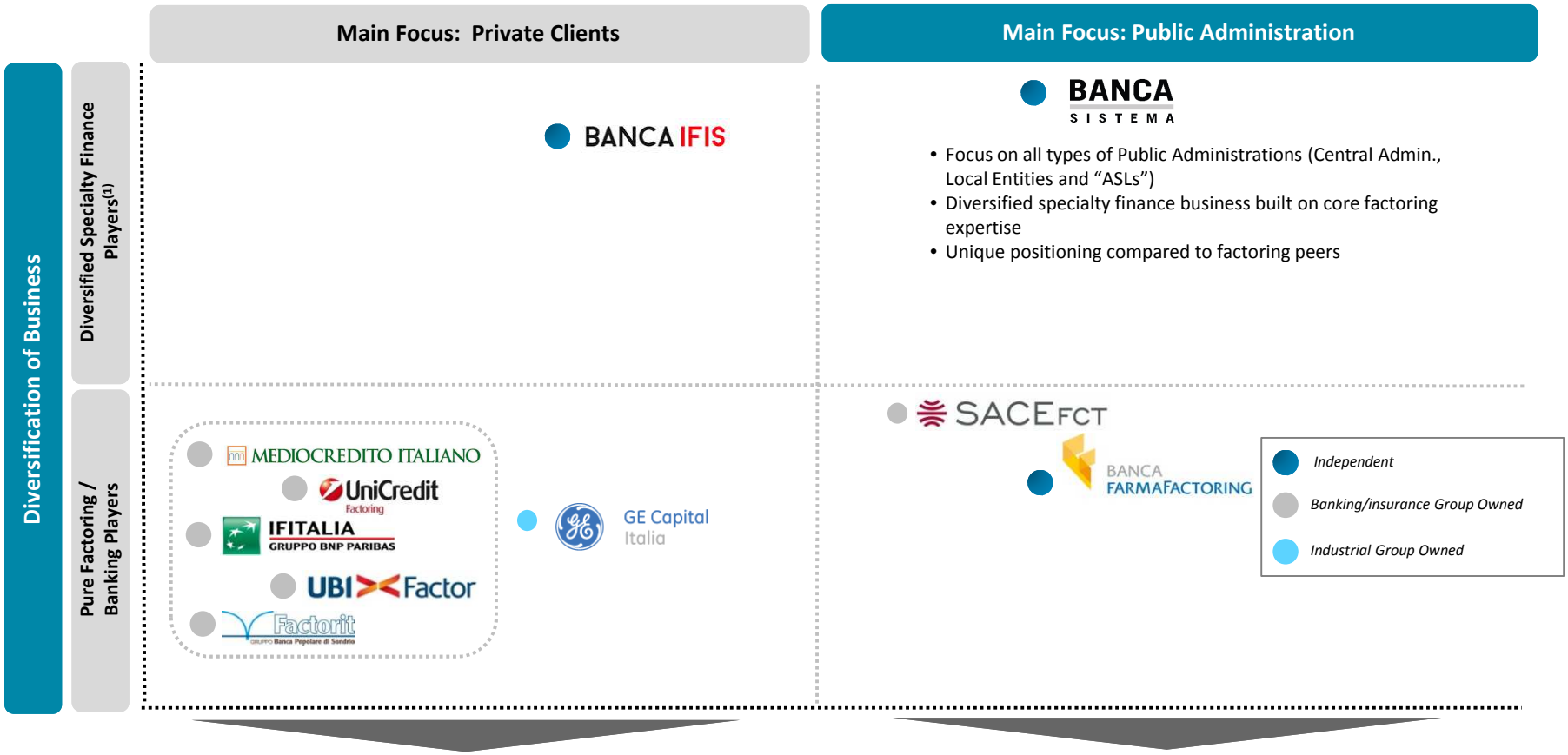
Unique opportunity to exploit the potential of a large and under-penetrated market

Note: 1. Source: Assifact and Factor Chain International; 2. Source: MEF (Documento di Economia e Finanze 2015 – Analisi e tendenze della finanza pubblica). Including spending for goods and services and gross fixed capital formation; 3. Intrum Justitia as of 2016.

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Key Players' Positioning in the Italian Factoring Market

Uniquely positioned to thrive in the factoring market



Note: 1. Operating in other segments apart from factoring and traditional retail deposits gathering.

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Factoring business leverage on a well balanced network

Sales Team Members

- **14 Origination resources**
- **6 Relationship Managers**



Distribution also through ~1,110 branches of the bank's partners branch network

Diversified Distribution Channels

- **The origination team consists of 20 dedicated sales resources which have multiple years of experience** in factoring and origination at both Banca Sistema and leading factoring institutions

Direct Marketing	• The Bank uses its own knowledge and relationships to originate business
Banks Distribution	• We have signed commercial agreements to provide factoring products to third party banks • **14 Commercial agreements** in place • Partner selection criteria based on potential to grow the strength and depth of commercial relationships
Non Financial Intermediaries	• We only work with supervised intermediaries on OAM ("Organismo agenti e mediatori") and with top accounting firms in Italy to originate VAT deals

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Barriers to Entry

High barriers to entry limit competition and new entrants in Banca Sistema core market

Track Record, Experience and Network of Relationships	• We have built a **strong track record** over the years as our core factoring business has been operational since 2007 (from 2007 to 2011, under the name "SF Trust") • **We have established relationships** with more than **2,500** PA entities and almost **300** corporate clients
Analytical Capabilities	• **We have a proprietary database tracking more than 2,500 debtors payment times which dates back to 2002, constantly updated and improved** through information we receive from our clients when acquiring receivables
Banks Might Have Internal Limits to Public Administration Exposure	• **Italian Banks might have internal limits on the amount of exposure they might have towards the Public Administration**/ Public Sector, as such, expected competition by other banks is limited as they might exceed their target exposure • Additionally, some of the leading Italian Banks perform treasury activities for the PA, thus embedding an internal conflict of interest vis-a-vis the collection / factoring activities • **Loans and other financing products** (which might be a substitute of the factoring of PA receivables), **granted by Italian banks, are subject to a more penalizing risk weighting vis-a-vis the direct purchase of PA receivables**. Italian banks might be forced to reduce the financing of PA receivables, in order to minimise capital absorption
Banking License	• **Strong preference by factoring clients to deal with a banking entity** • A **banking license is necessary to access the funding sources at sustainable prices (Retail Deposits and Interbank / ECB) required** for the acquisition of factoring receivables • **Obtaining a banking license in Italy is a lengthy process limiting potential initiatives for new entrants**
Collection Network	• **We currently have 17 employees fully dedicated to the collection of receivables, with team members having more than 20 years of experience in the field** • **We have built a nationwide network of 14 external collectors which are tied to us through commercial agreements and two Companies specialised in collections from PA**

III. 9M 2016 Results

9M 2016 Results at a Glance

P&L

- **Net Income +17% y/y reached at €21.4m**
- **€50.8m Net Interest income +18% y/y**
- **Total operating costs** and **LLPs** in line with expectations
- **Stated ROAE 27%**

Strong commercial performance

- **9M 2016 Factoring Turnover +19% y/y**
- **VAT Turnover** growing at c. +50% y/y
- **CQS + SMEs outstanding** reached €293m, **+88% y/y**

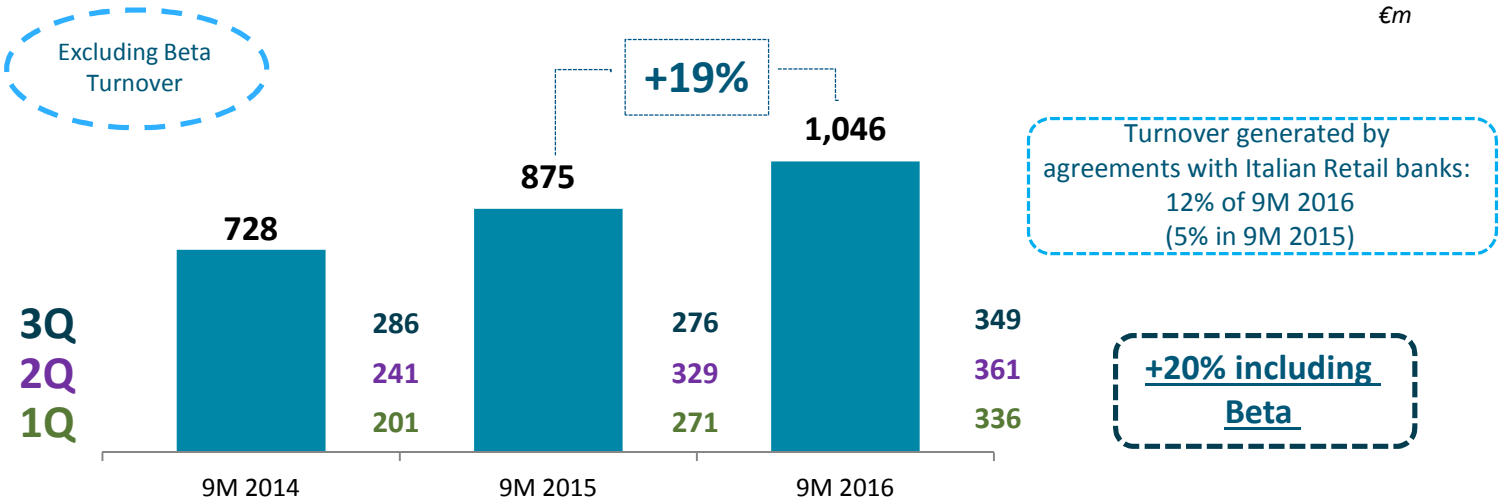
Balance Sheet

- Stable Italian T-bills ptf at €0.4bn as at 30.09.2016 vs that as at 30.06.2016
- **Retail funding represents 48% of Total Funds**
- **CET1** and **TCR** reached including Beta respectively **12.4%** and **14.8%**

Note: 9M 2015 Net Income does not include net non-recurring items related to the IPO (€4.9m). 9M 2016 P&L and Balance Sheet include Beta Stepstone's contribution for the 3Q 2016.

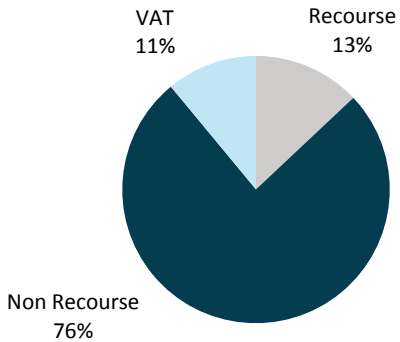
Factoring Turnover/Outstanding

Factoring Turnover - €1,054m



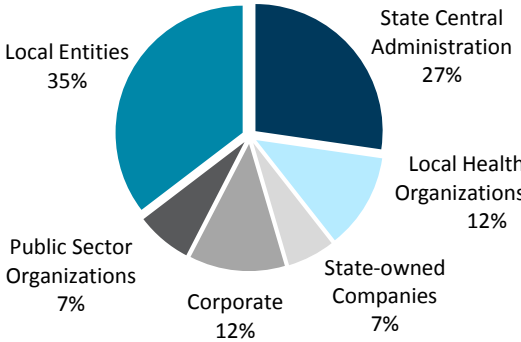
1H 2016 Factoring Outstanding Breakdown - €997m

By Type of Product



By Obligor

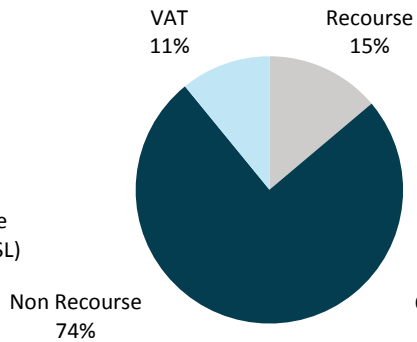
PA accounts for 88%



9M 2016 Factoring Outstanding Breakdown - €1,055m

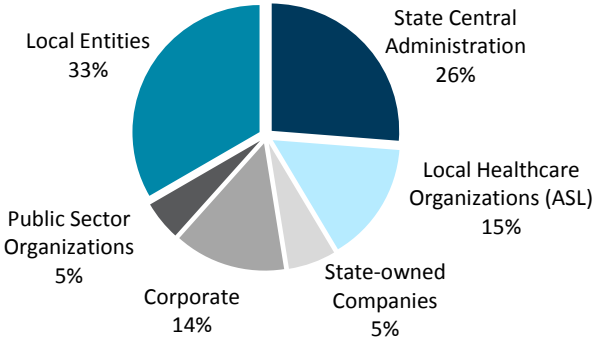
By Type of Product

Including Beta



By Obligor

PA accounts for 86%

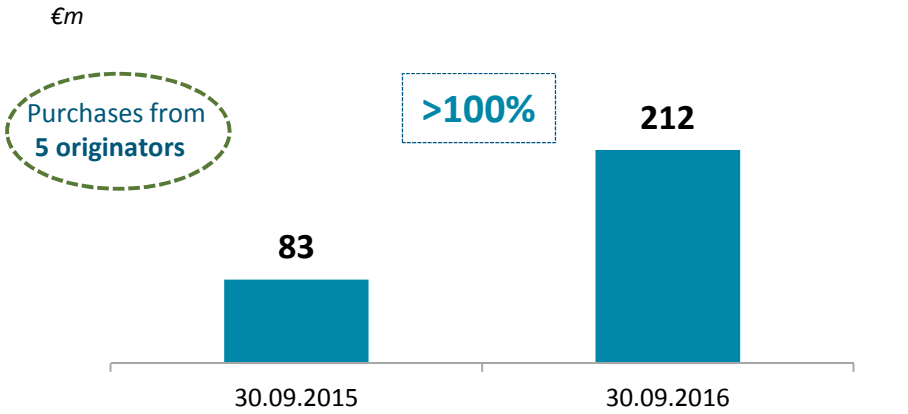


Factoring Outstanding, management account.

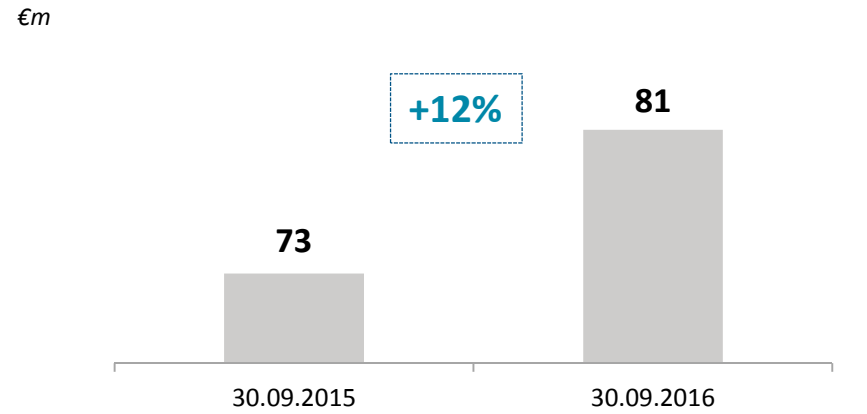
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CQS/CQP and SME loans represent today 22% of Total Loans

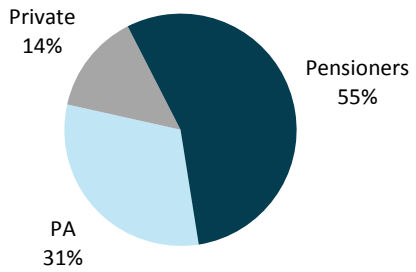
CQS/CQP Loans outstanding



SME State Guaranteed Loans outstanding



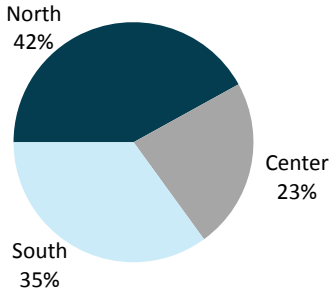
Outstanding breakdown by Type (30.09.2016)



CQS:

- 86% Public (55% Pensioners)
- Average Gross Yield 4.1%, Q3 2016 in line with Q1 and Q2 2016
- Average contractual duration of 9.6 years

Outstanding breakdown by Geography (30.09.2016)



SMEs State Guaranteed Loans:

- More competition from commercial banks
- Average Gross Yield 6.4%, Q3 2016 lower than Q1 and Q2 2016
- Average duration of 4.3 years

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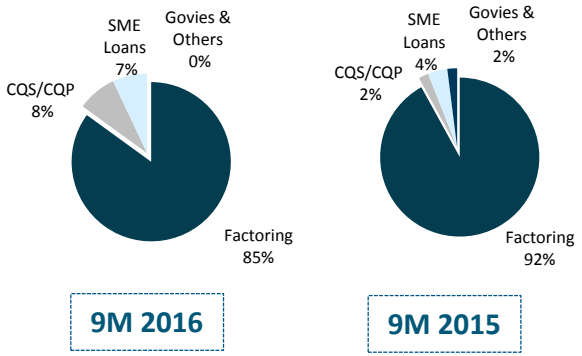
9M 2016 – Income Statement

Figures in millions of euro

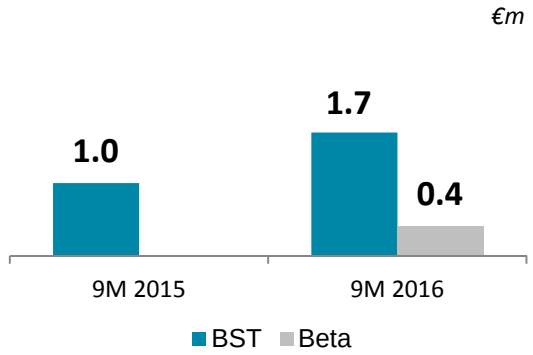
	30.09.2016 A	*of which Beta Stepstone*	30.09.2015 B (Normalized)	Difference % A - B
Net interest income	**50.8**	***1.7***	**43.0**	**18.1%**
Net fee and commission income	6.9	*0.2*	8.3	-16.9%
Dividends and similar income	0.2	-	-	nm
Net income from trading, hedging and disposal/repurchase activities and from assets/liabilities designated at fair value	1.1	-	2.5	-56.0%
Operating income	**59.0**	***1.9***	**53.8**	**9.7%**
Net impairment losses on loans	(4.9)	-	(3.9)	25.6%
Net operating income	**54.0**	***1.9***	**49.9**	**8.2%**
Staff costs	(11.1)	*(0.3)*	(9.7)	14.4%
Other expenses	(15.4)	*(0.4)*	(14.0)	10.0%
Operating expenses	**(26.5)**	***(0.7)***	**(23.6)**	**12.3%**
Profits of equity-accounted investees	2.3	-	0.3	nm
Pre-tax profit from continuing operations	**29.8**	***1.2***	**26.6**	**12.0%**
Taxes on income for the period/year from continuing operations	(8.4)	*(0.3)*	(8.3)	1.2%
Profit (loss) for the year/period attributable to the shareholders of the Parent	**21.4**	***0.9***	**18.3**	**16.9%**

- **Factoring contribution to NII represents 85% of the total**
- **NII includes** €7.9m of accrued LPIs, representing 15% of the LPIs due, on the legally actioned invoices (in the past booked on a cash based) €5m are related to prior years
- **NII has also been influenced by:** lower cost of funding; higher contribution from CQS/CQP, Factoring VAT and SME loans; Beta Stepstone contribution in the 3Q 2016
- Lower contribution from our short term Italian Government **bond portfolio (-56%)**
- **Higher LLPs** as a consequence of the SMEs portfolio's deterioration stable cost of risk
- **Personnel expenses** reflect headcount growth y/y
- **Net Income** of the 9M 2016 includes also gain from the sale of CS Union gross of €2.3m

Net Interest Income Breakdown



Cashed-in Factoring LPIs



Note: 9M 2015 figures does not include net non-recurring items related to the IPO (€4.9m) and Beta contribution.

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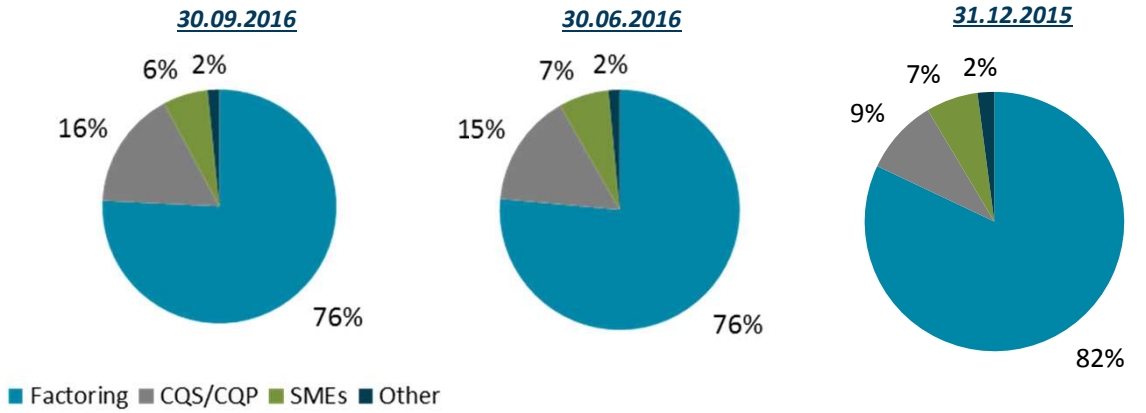
9M 2016 – Balance Sheet

Figures in millions of euro

	30.09.2016 A	30.06.2016 B	31.12.2015	Difference % A - B
ASSETS				
Available-for-sale financial assets	435	411	925	5.8%
Loans and advances to customers	1,297	1,193	1,458	8.7%
Tangible and Intagible assets	25	3	3	733.3%
Other assets	55	72	26	-23.6%
Total assets	**1,812**	**1,679**	**2,412**	**7.9%**
LIABILITIES AND EQUITY				
Due to banks	435	353	362	23.2%
Due to customers	1,101	1,069	1,878	3.0%
Debt securities issued	91	90	20	1.1%
Other liabilities	75	63	59	19.0%
Shareholders Equity	110	104	93	5.8%
Total liabilities and equity	**1,812**	**1,679**	**2,412**	**7.9%**

Note: 9M 2016 figures include the contribution of Beta Stepstone (purchased in July 2016).

Loans to customers Breakdown ex. Repos



- **Govies AFS portfolio stable at €0.4bn q/q** with a residual duration of 11 months
- Govies ptf reduction vs 31.12.2015 influenced as well as the reduction of REPO both on Assets side and Liabilty side of the Balance Sheet
- **Factoring receivables** in line q/q excluding the contribution of Beta Stepstone for €75m consolidated from this quarter
- **CQS/CQP** increase due to further loan purchases
- **Tangible assets** increase q/q due to the contribution of the €22m purchase of building in Milan, new head quarter
- **Due to banks** increase q/q due to **Interbank** and y/y also due to the increase on **ECB** funding (TLTRO II)
- **Retail funding** slightly lower q/q n line in line with business needs and funding diversification

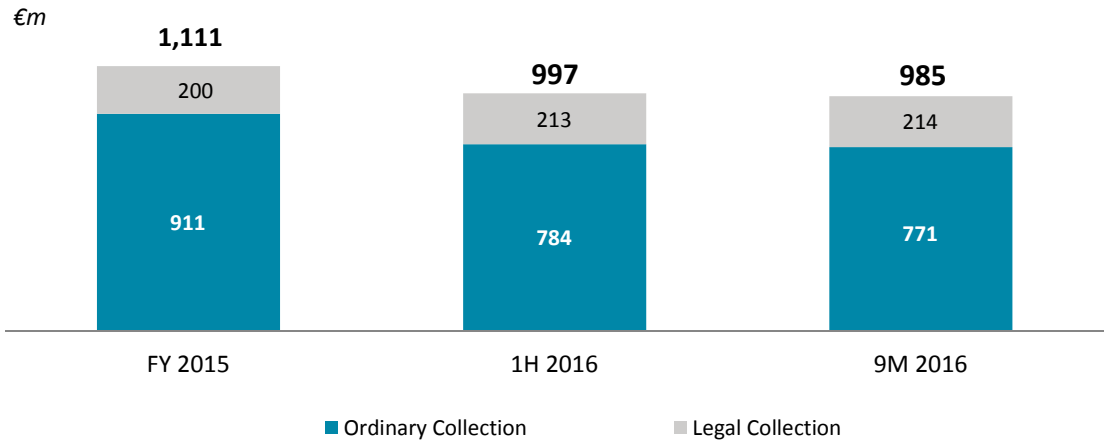
Note: 0 Assets Repos as at 30.09.2016 and 30.06.2016; €178m Assets Repos as at 31.12.2015.

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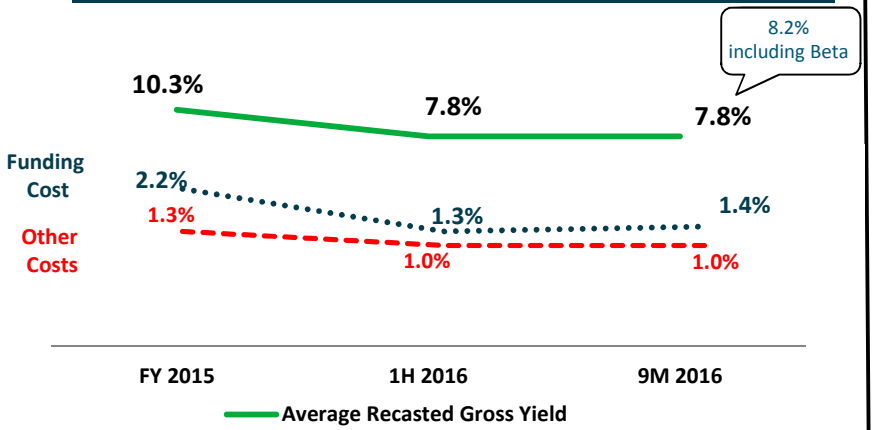
Factoring update excluding Beta

- Average Outstading trend influenced by:
  - Quarterly turnover seasonality
  - purchased portfolios with lower Priced DFS that in the past
  - the portion of the Outstading in Legal Collection
- Priced Yield in line with expectations with higher competition at the end of September 2016
- Stable Average Gross Yield q/q with a contribution from accrued LPIs in the 3Q 2016 of €1m of which Beta for €0.7m

Factoring Outstanding Evolution



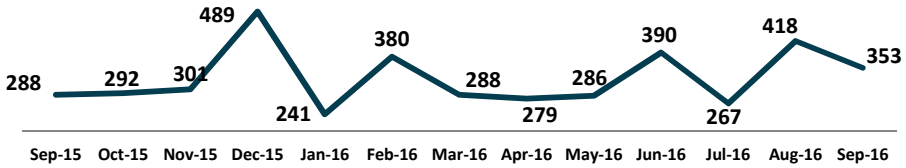
Average Gross Yield on Factoring Outstanding (Interest and Commission Income)



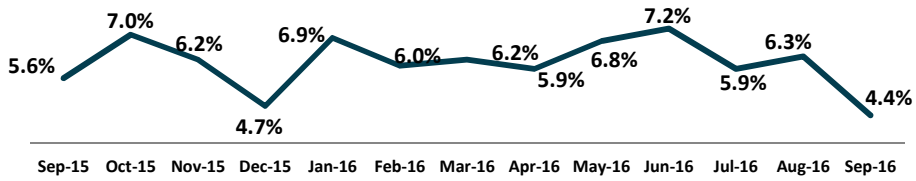
Gross Yield includes Commission Income: €6.8m in 9M 2016; €4.6m in 1H 2016; €10.9m in FY 2015
Other Costs include among others Legal and Servicing expenses equal to: -0.5:% in 9M 2016; -0.5% in 1H 2016 and -0.9% in FY 2015

How we originate new business:

Funding period based on Expected Collection date ("DFS")



Target Yield at Expected Collection date ("DFS")



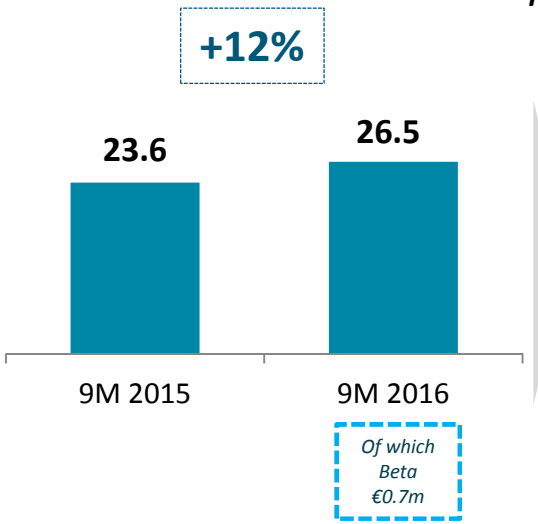
Note: Priced DFS includes also commission income. Other Costs include also Cost of Risk.

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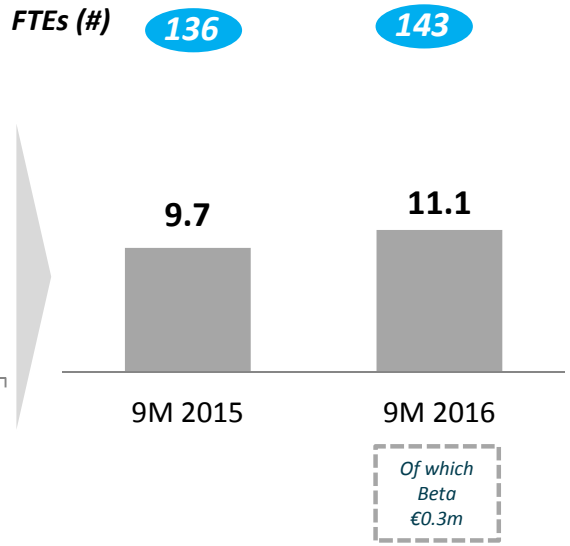
Costs ex. some components in line with expectations

Operating Costs

€m

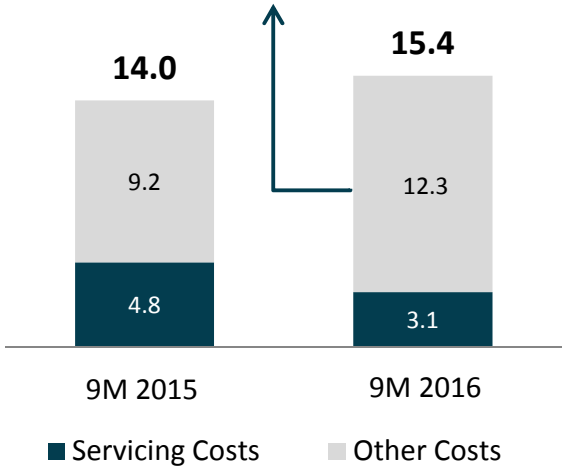


Personnel Expenses

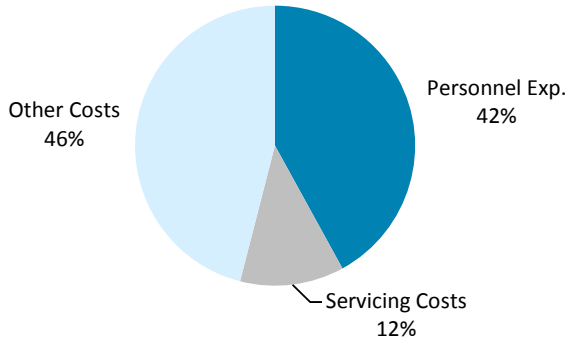


Administrative Expenses, Net Provisions for risk, Servicing Costs, Other and D&A

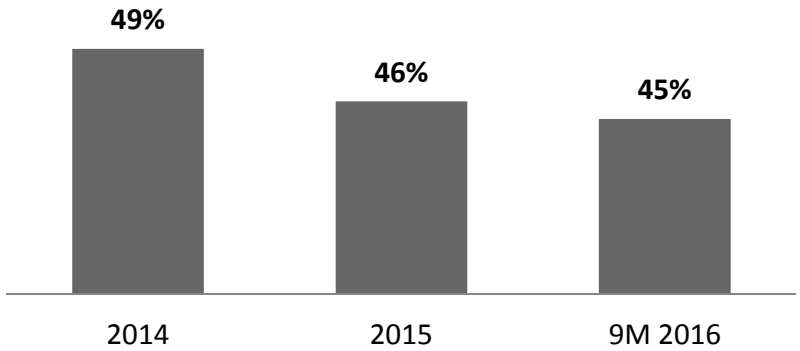
- €0.2m provision for the Deposit Scheme
- €0.6m contribution to National Resolution Fund and €0.3m rebate from the Fund
- €1.1m Securitization expenses
- €1m Advisory fees, including those for Beta



Operating Costs Breakdown



Cost Income Ratio

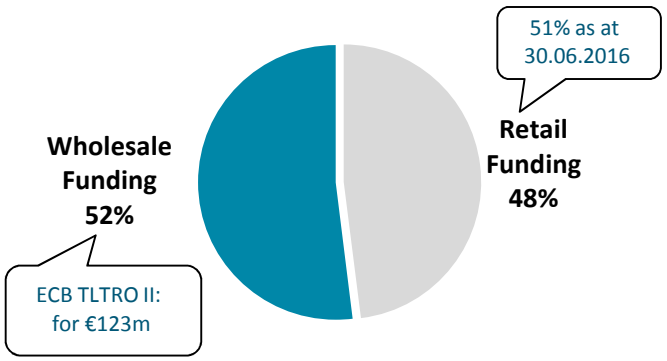


Note: 9M2015 Costs and related ratios do not include non-recurring items; 9M 2016 P&L includes Beta Stepstone's contribution for the 3Q 2016.

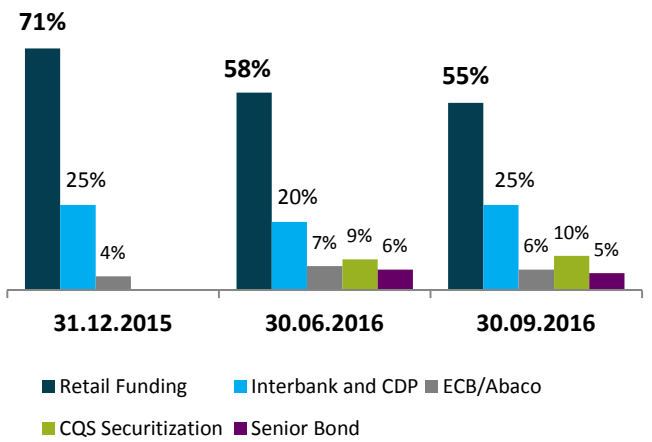
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Funding strategy focused on diversifying (ex. Beta)

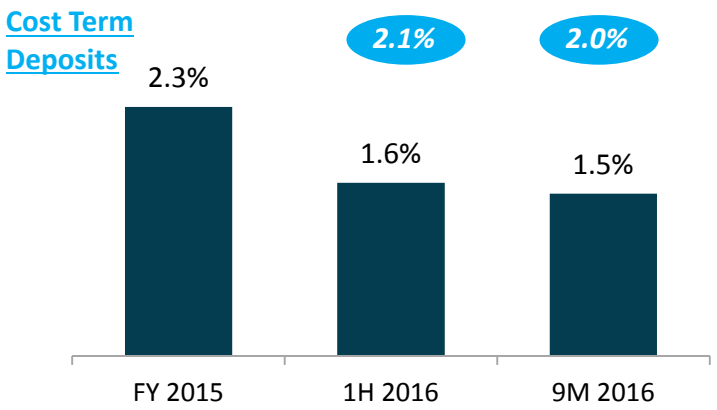
Total Funding Breakdown



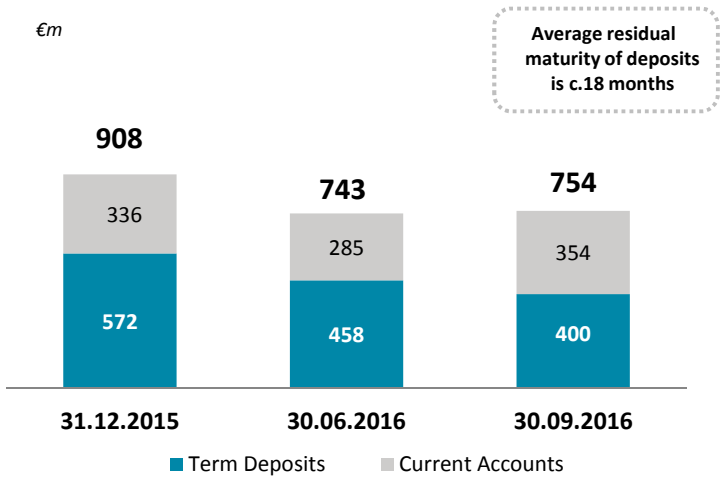
Core Business Funding Breakdown



Retail Cost of Funding



Retail Funding

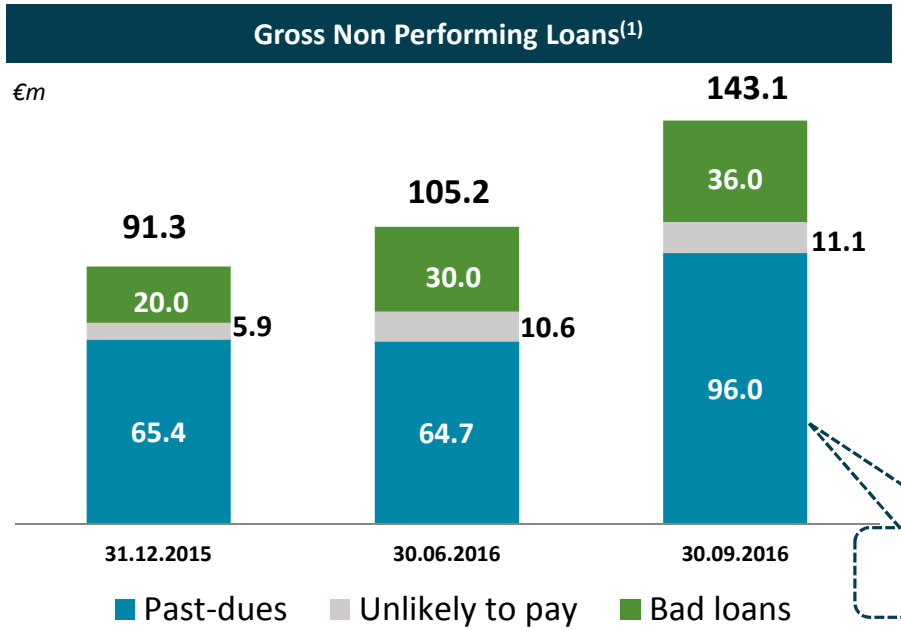


- Term Deposits and Current Accounts have been reduced y/y to allow additional funding: TLTRO, Securitization and a 2Y Senior bond
- In October has been increased the Offer rates on Term Deposits with the aim to maintain stable the stock
- 21% of term deposits from Germany/Austria
- Wholesale funding included the warehouse credit line related to the CQS securitization rated and listed in October 2016

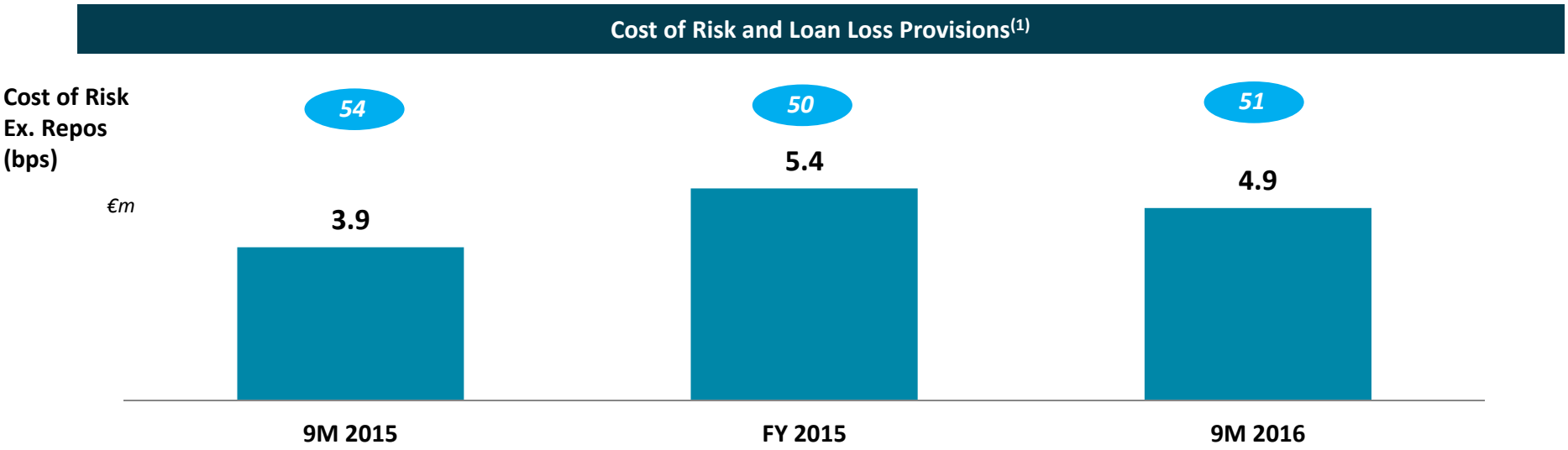
Notes: Average cost of funding (current accounts and term deposits); CDP stands for Cassa Depositi e Prestiti (in particular is referring to a credit line).

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Conservative risk policy in all the business lines



- Net Bad Loans represents 2% of total loans as at 30.09.2016 ex. Repos (1.1% in 2015)
- Bad loans increase q/q was due to some deterioration of the SMEs State Guaranteed loans portfolio mainly and factoring (also for the entry of 4 Municipalities under "Distressed" procedure)
- Past-dues q/q increase is mainly due to the purchase of portfolio in 3Q 2016 with obligors already classified as Past-dues and worsening of PAs payment timing
- Loan loss provisions slightly higher q/q, in 3Q 2016 €1.8m vs €1.7m in 2Q 2016, with a stable Cost of Risk

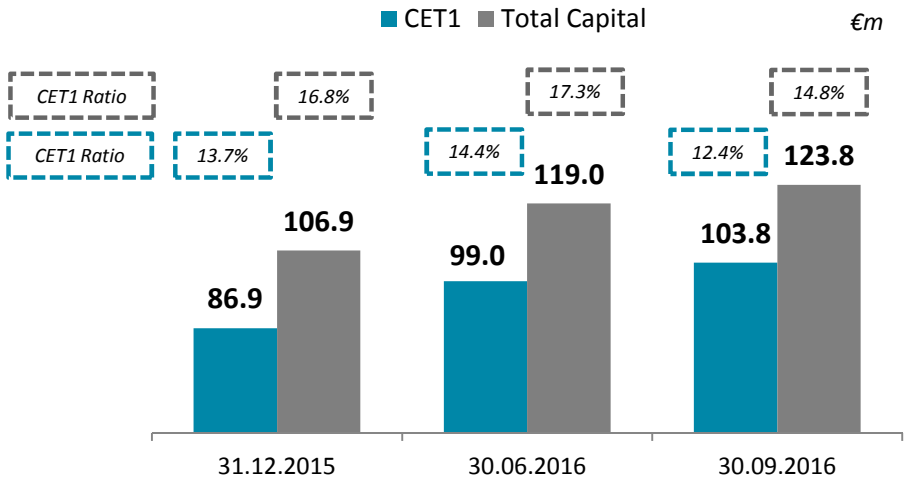


Note: (1) 9M 2016 figures include Beta Stepstone's contribution for the 3Q 2016.

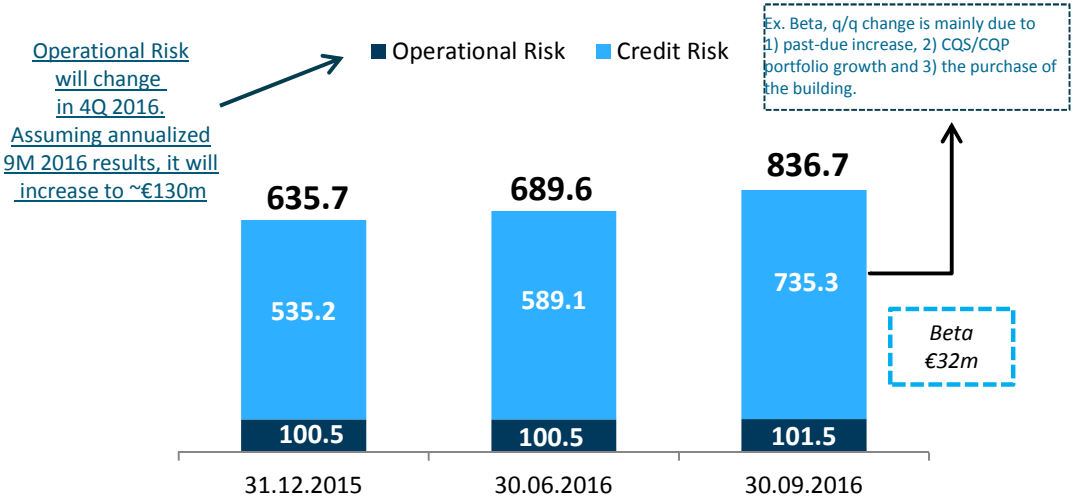
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Regulatory Capital

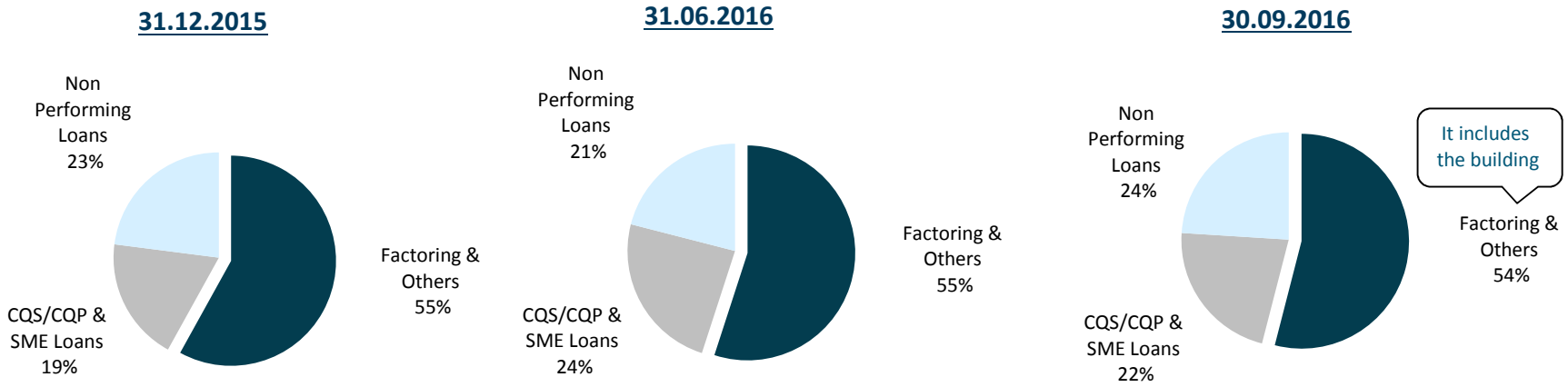
CET1 and Total Capital(1)



RWA breakdown(1)



RWA – Credit Risk(1)



Note: (1) CET1 and Total Capital, following CRR directive, are based on an estimated dividends pay-out of ~15% (average effective pay-out of the last three years); 9M 2016 figures include Beta.

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